

# ***2006-2007 Winter Fuels Outlook***

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**Administrator,**

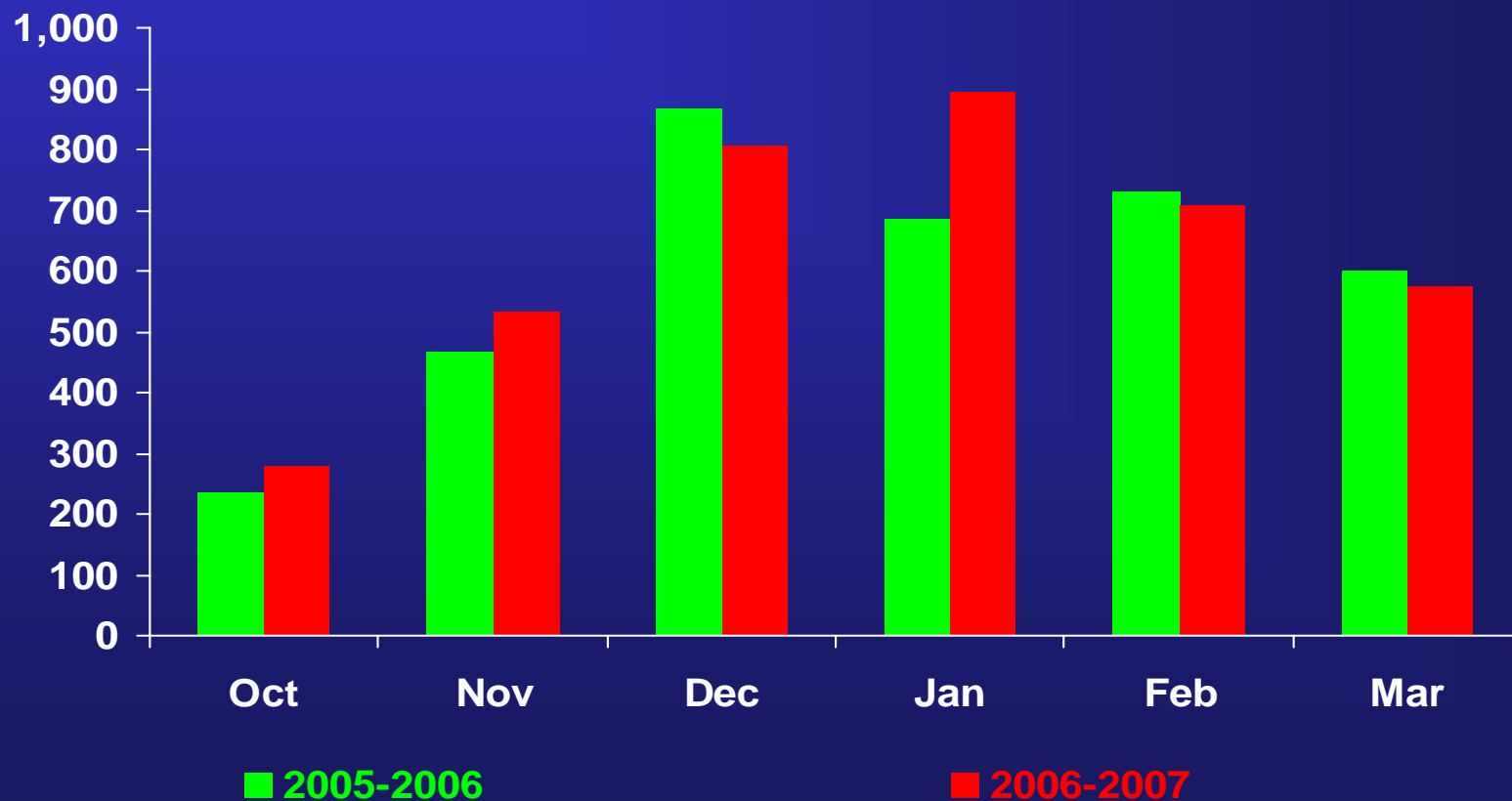
**Energy Information Administration**

**National Capital Area Chapter  
United States Association for  
Energy Economics  
October 20, 2006  
Washington, DC**

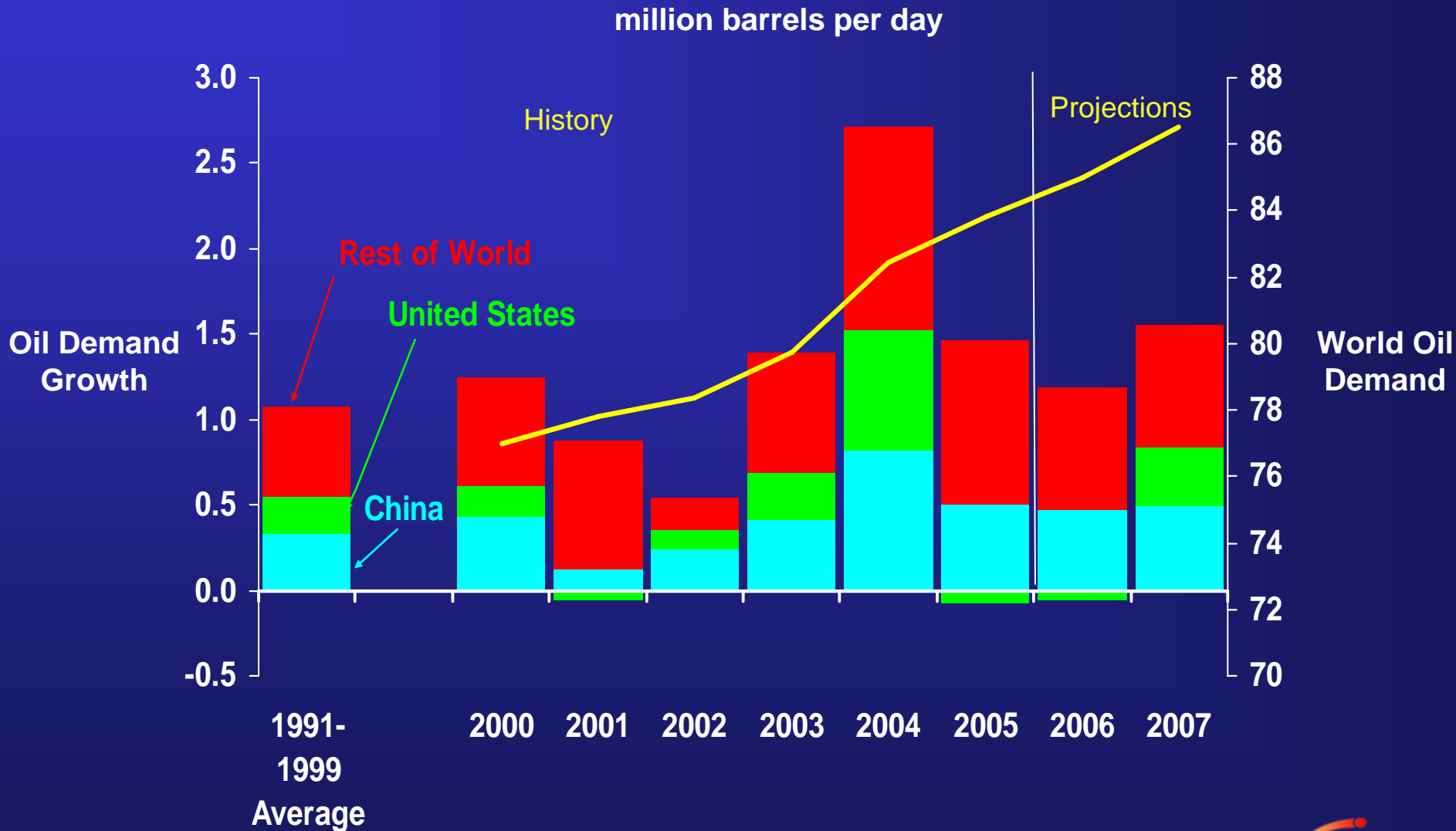


*Winter 2006/07 expected to be 6 percent colder than last winter, but slightly warmer than normal*

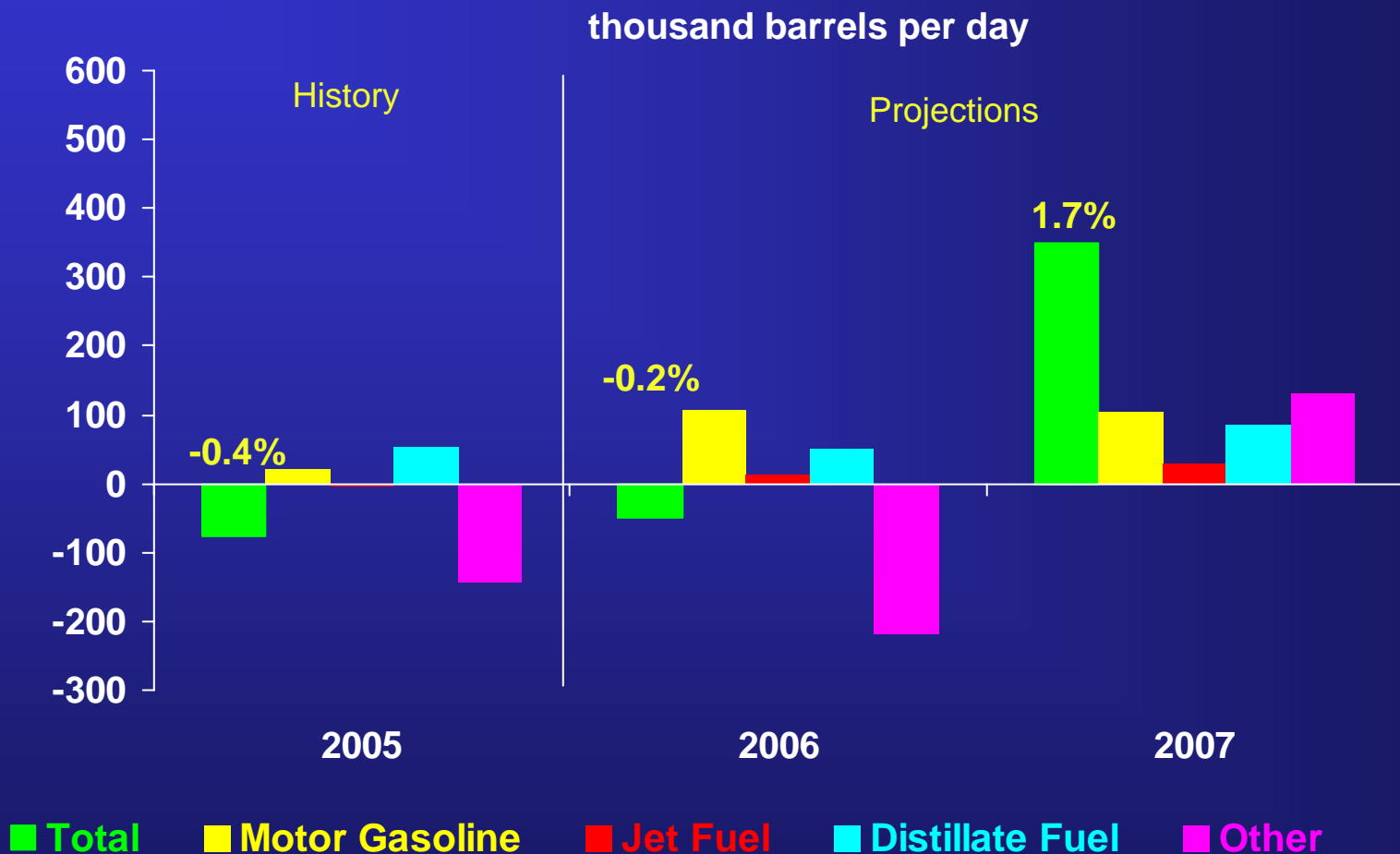
U.S. heating degree-days population-weighted



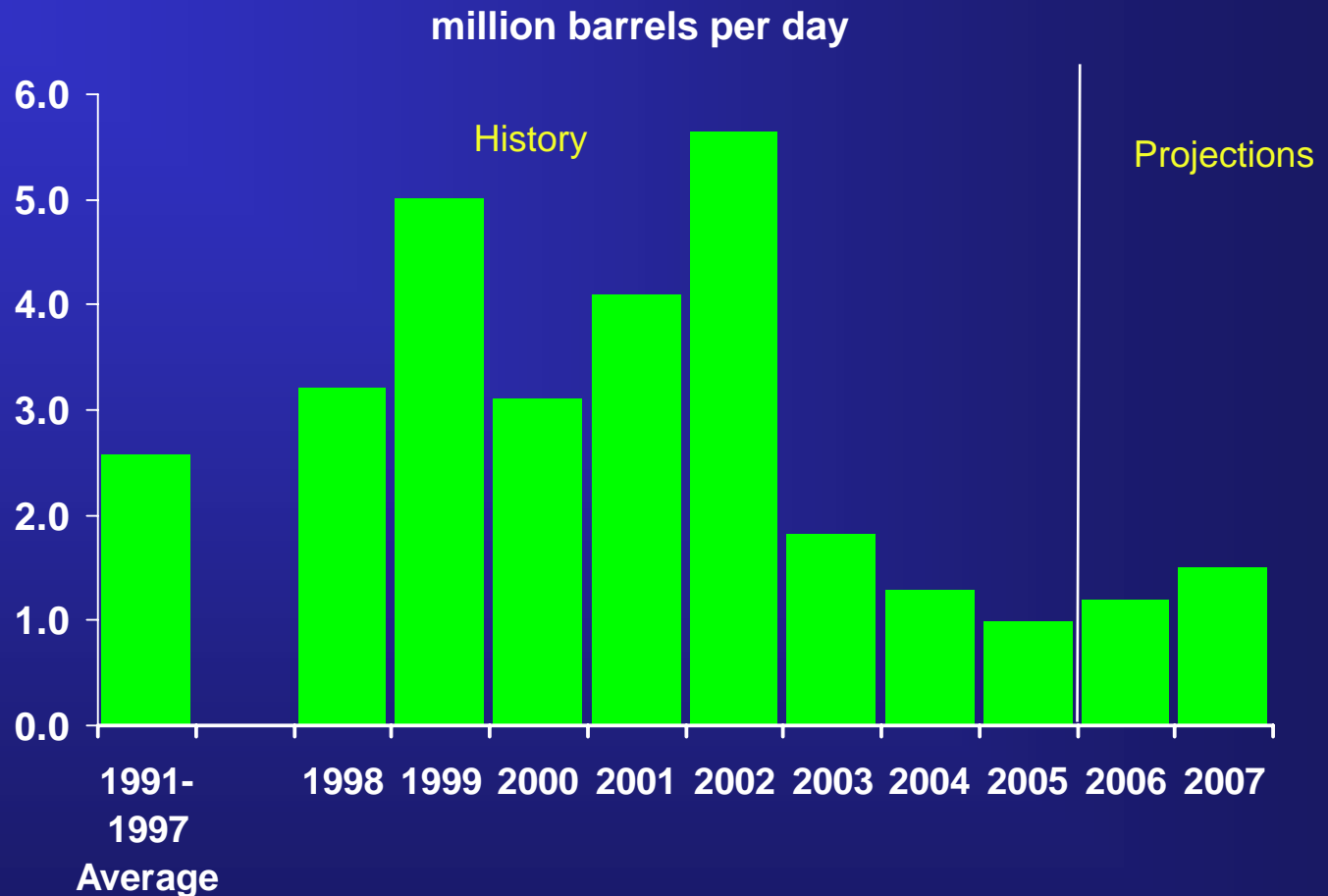
# *World oil consumption growth is expected to remain strong*



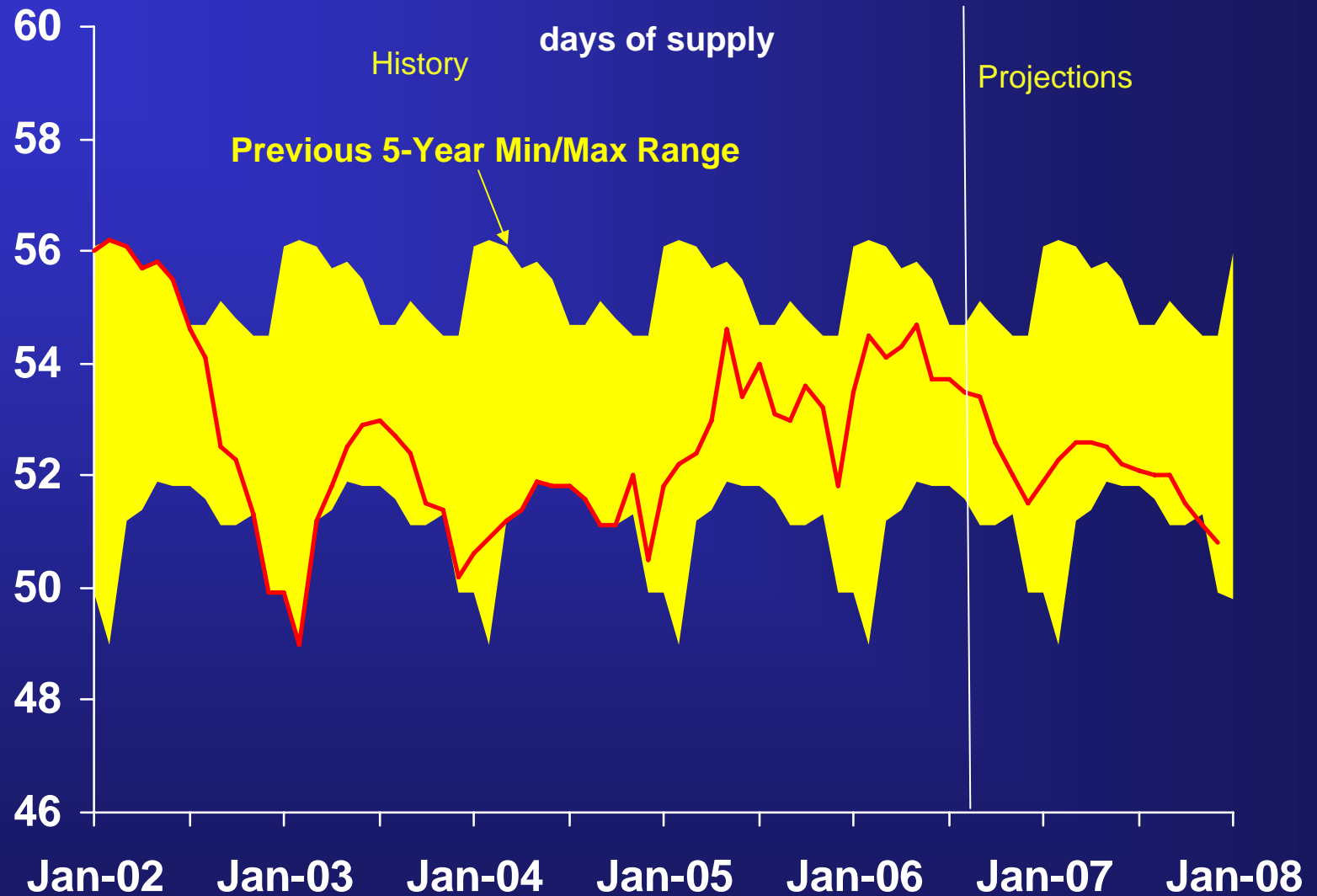
## *Growth in U.S. petroleum products consumption is expected to be strong in 2007*



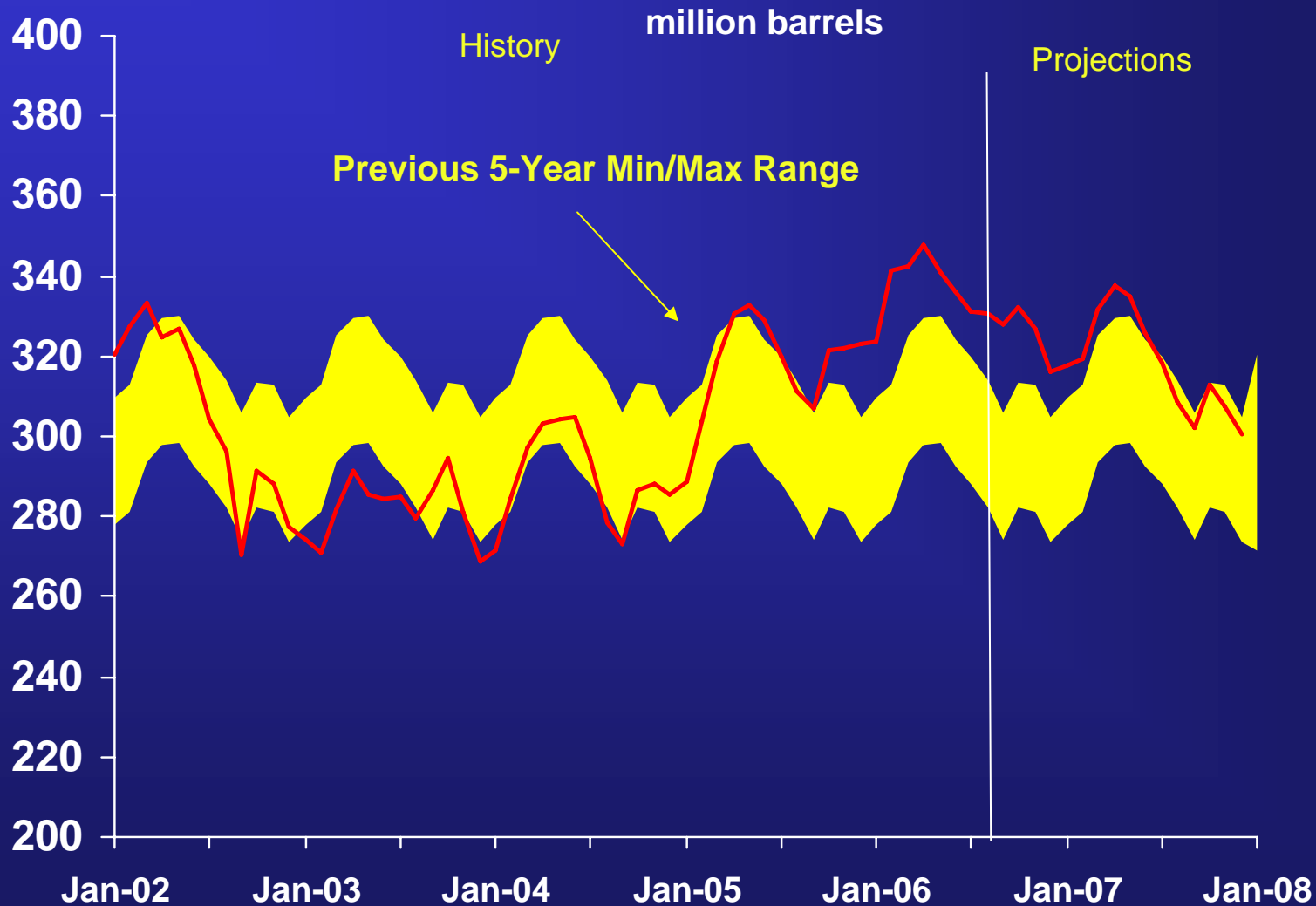
*World oil surplus production capacity is expected to increase slightly but remain at a low level*



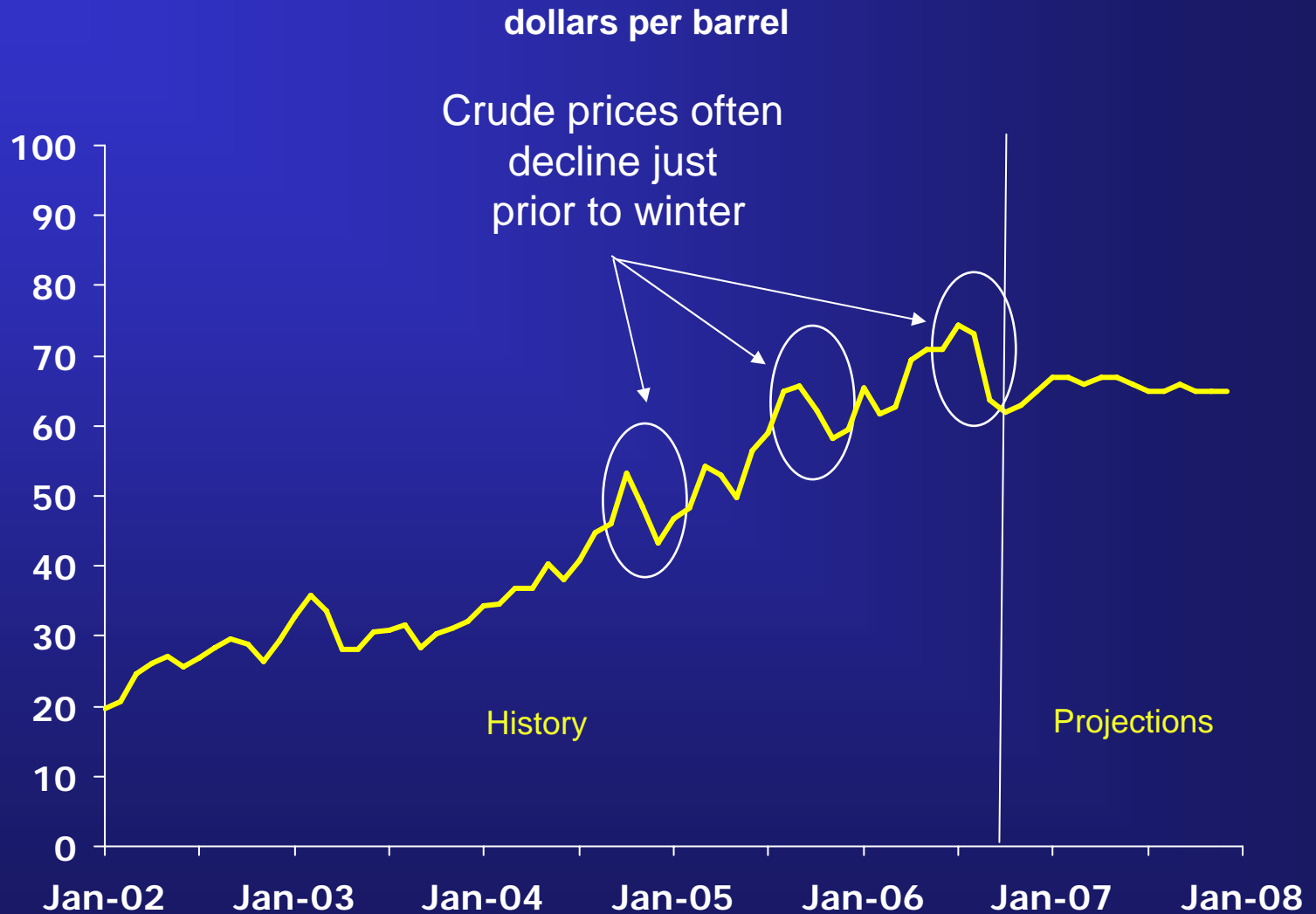
## *OECD commercial oil stocks are expected to tighten*



## *U.S. crude oil stocks are at very high levels*

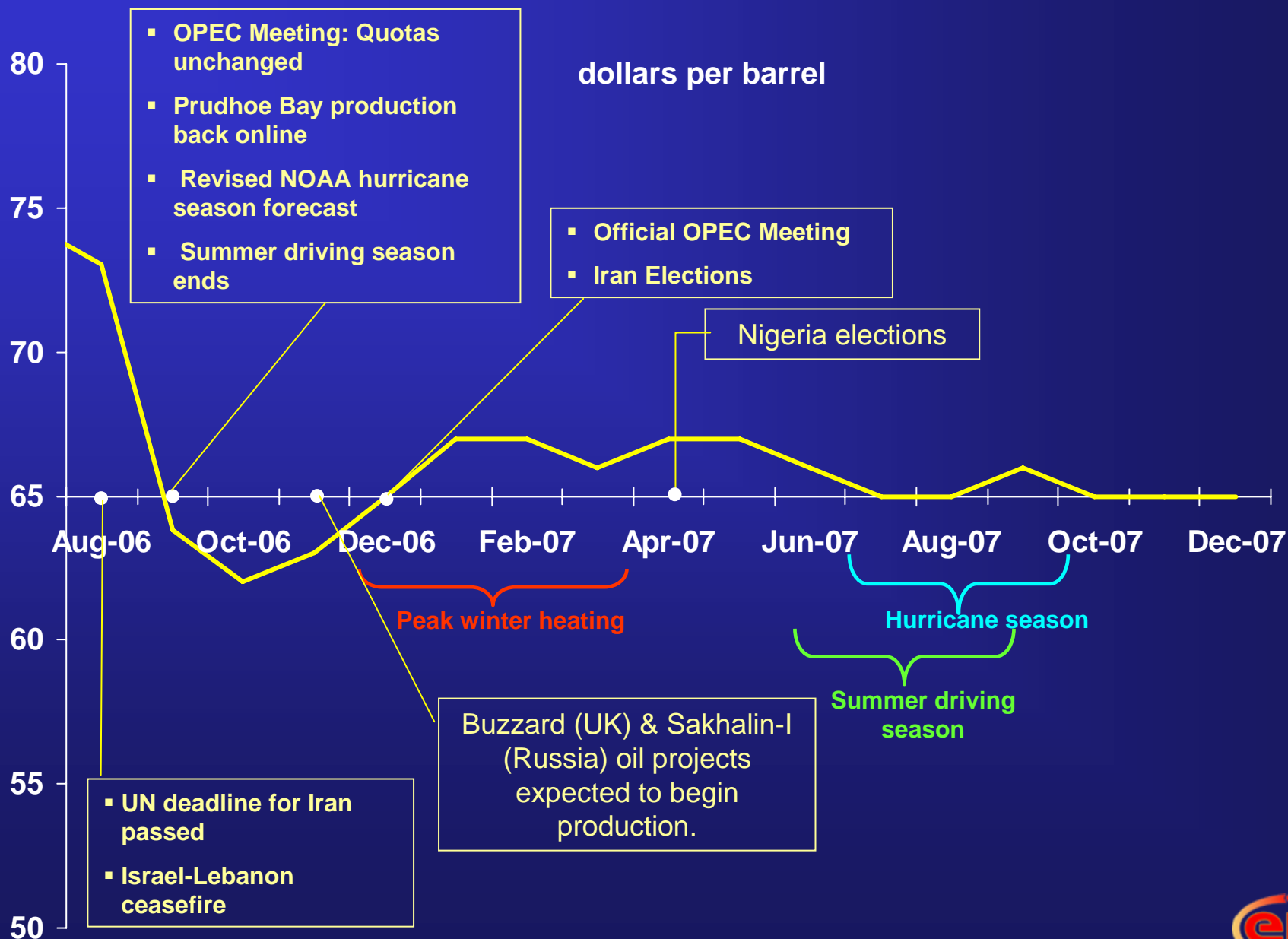


# *Recently declining crude prices are projected to increase during winter, but not to last winter's highs*





# Many factors may affect oil prices in upcoming months



# *Retail heating oil prices are projected to show little change from last winter*

cents per gallon

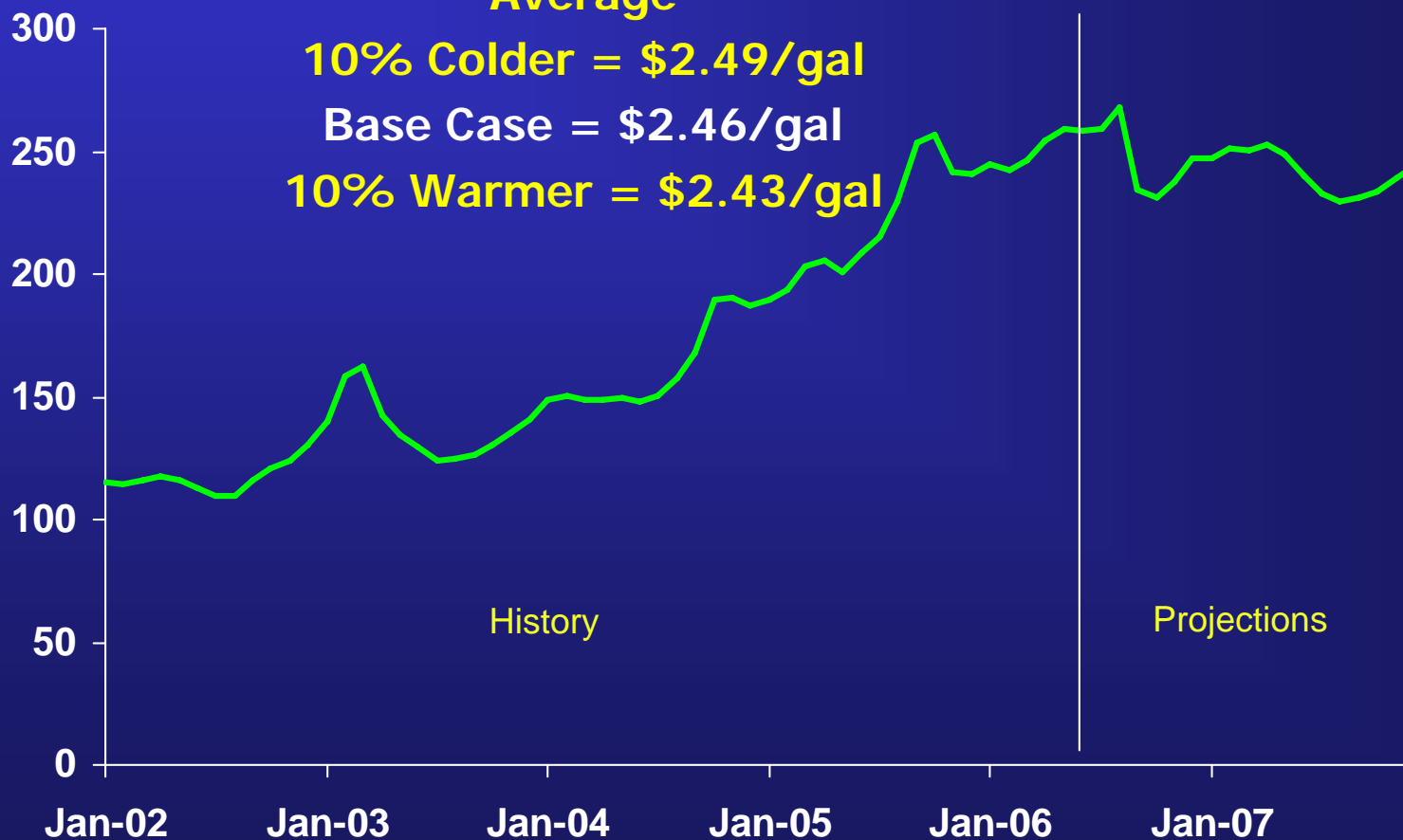
Oct 2006 – March 2007

Average

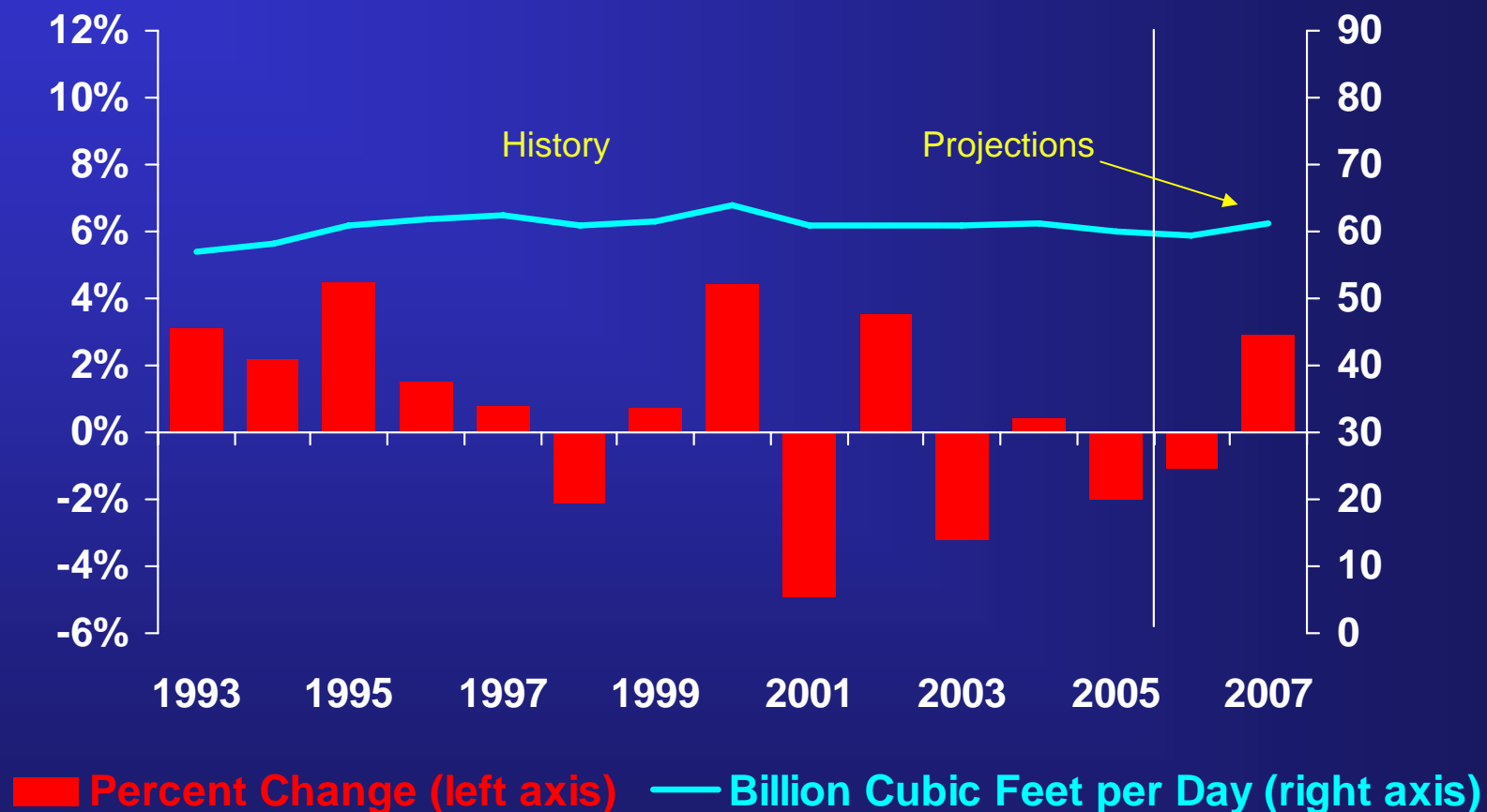
10% Colder = \$2.49/gal

Base Case = \$2.46/gal

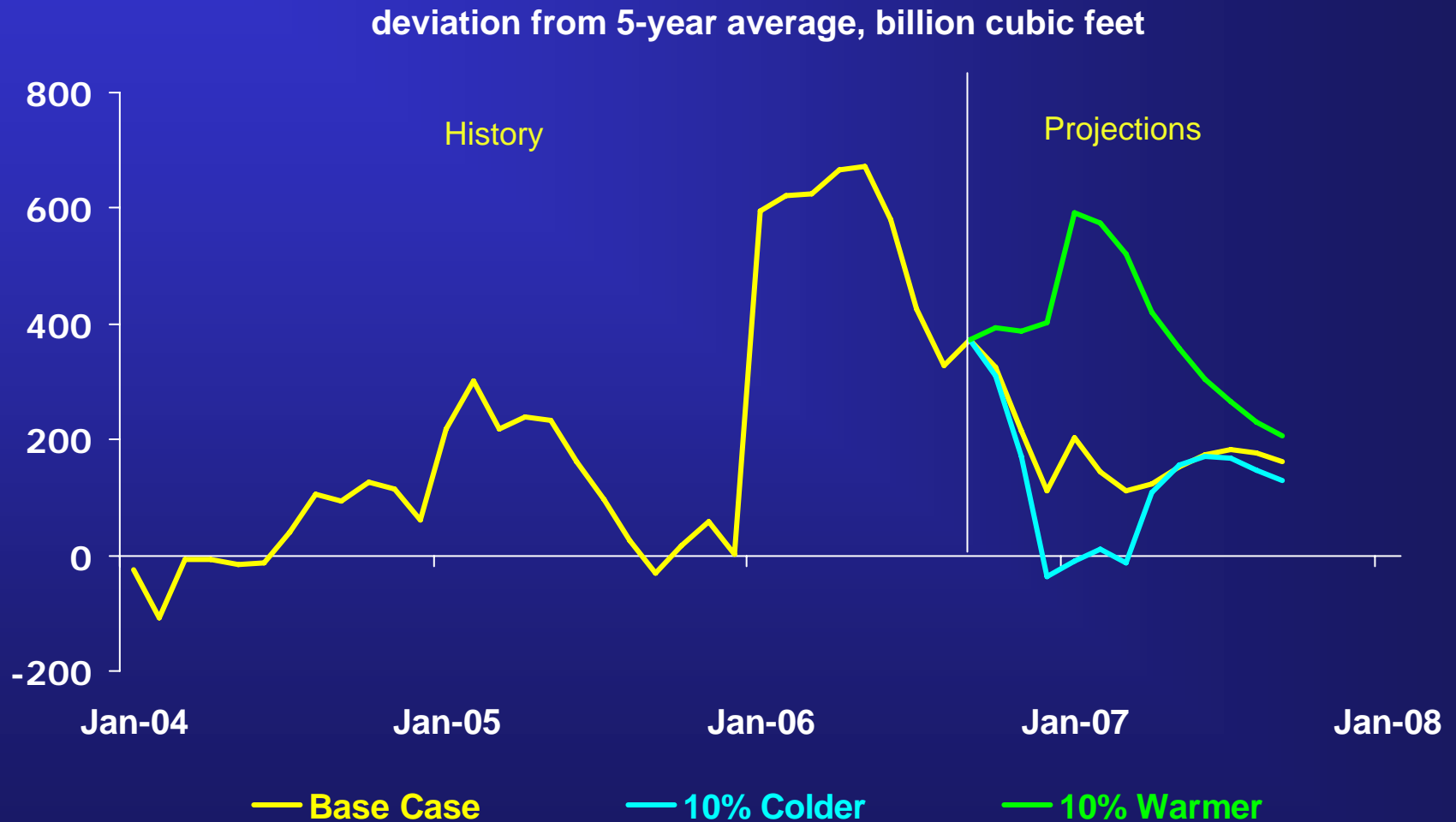
10% Warmer = \$2.43/gal



## *U.S. natural gas consumption growth is expected to resume*



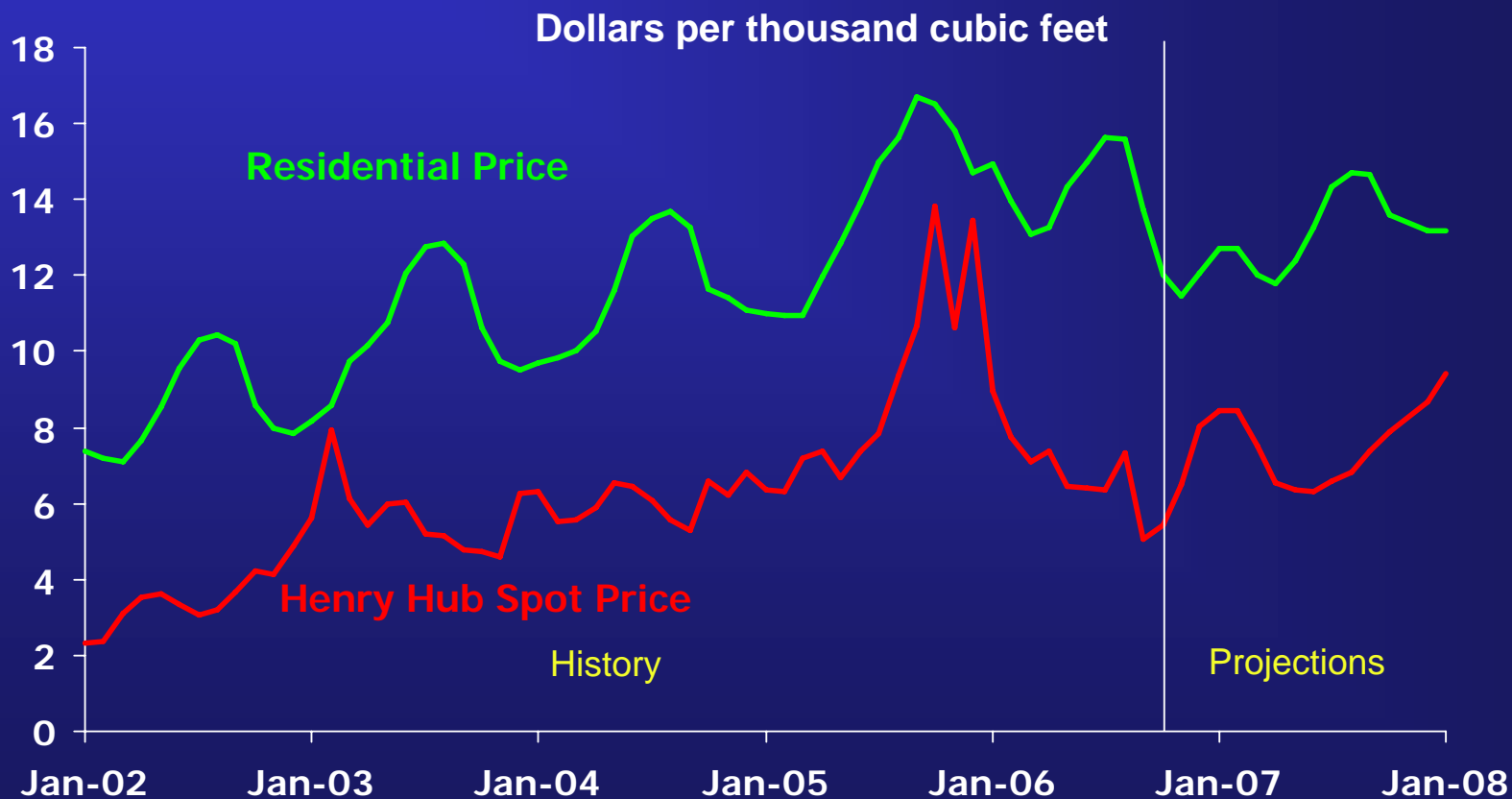
# *U.S. natural gas in storage is projected to remain above historical averages, even in cold weather case*



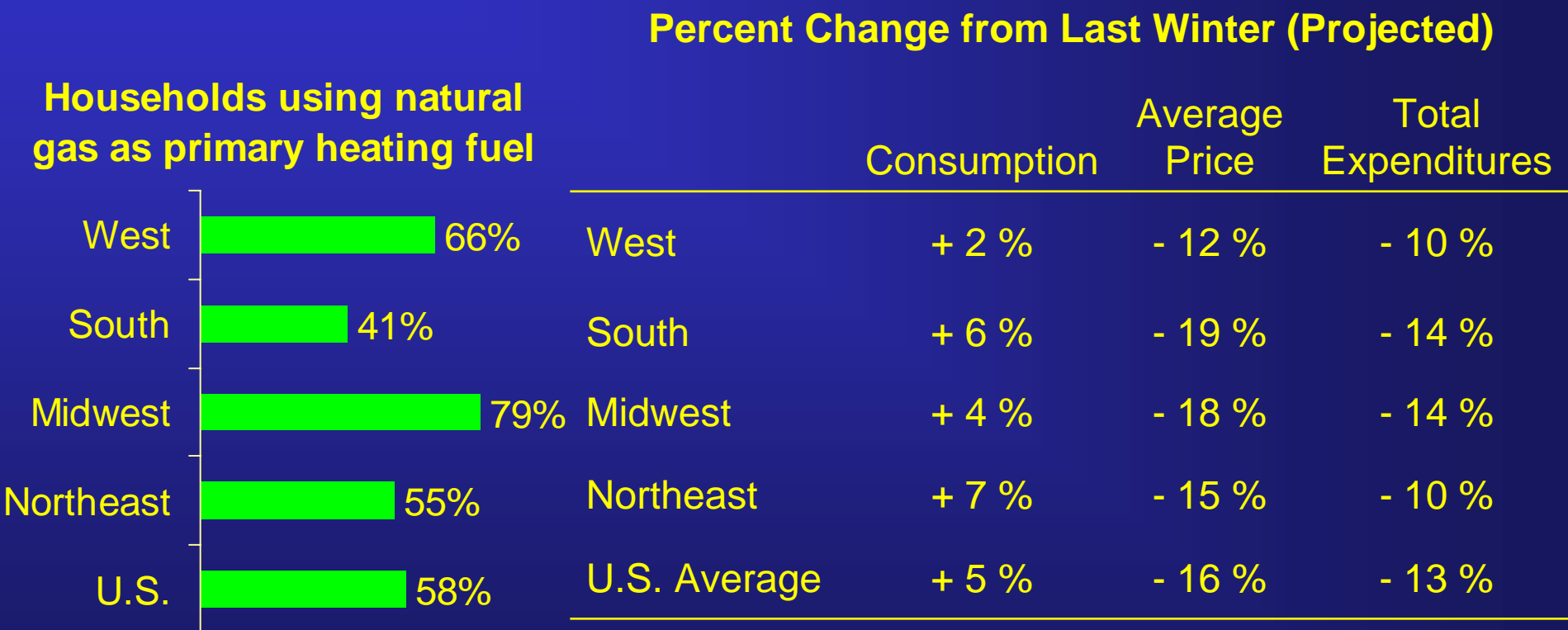
# *Natural gas prices are expected to be significantly lower than last winter*

**Henry Hub Spot Price**  
**10% Colder = \$8.97/mcf**  
**Base Case = \$7.39/mcf**  
**10% Warmer = \$5.89/mcf**

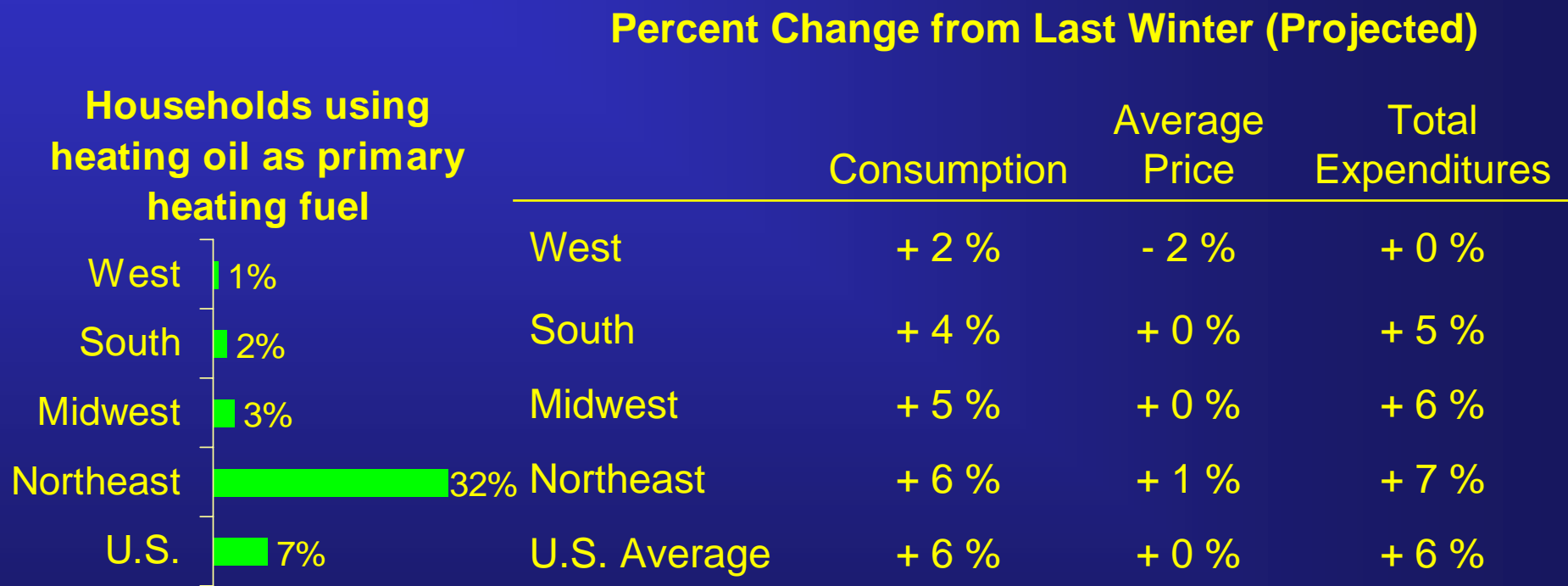
**Residential Price**  
**10% Colder = \$13.05/mcf**  
**Base Case = \$12.23/mcf**  
**10% Warmer = \$11.46/mcf**



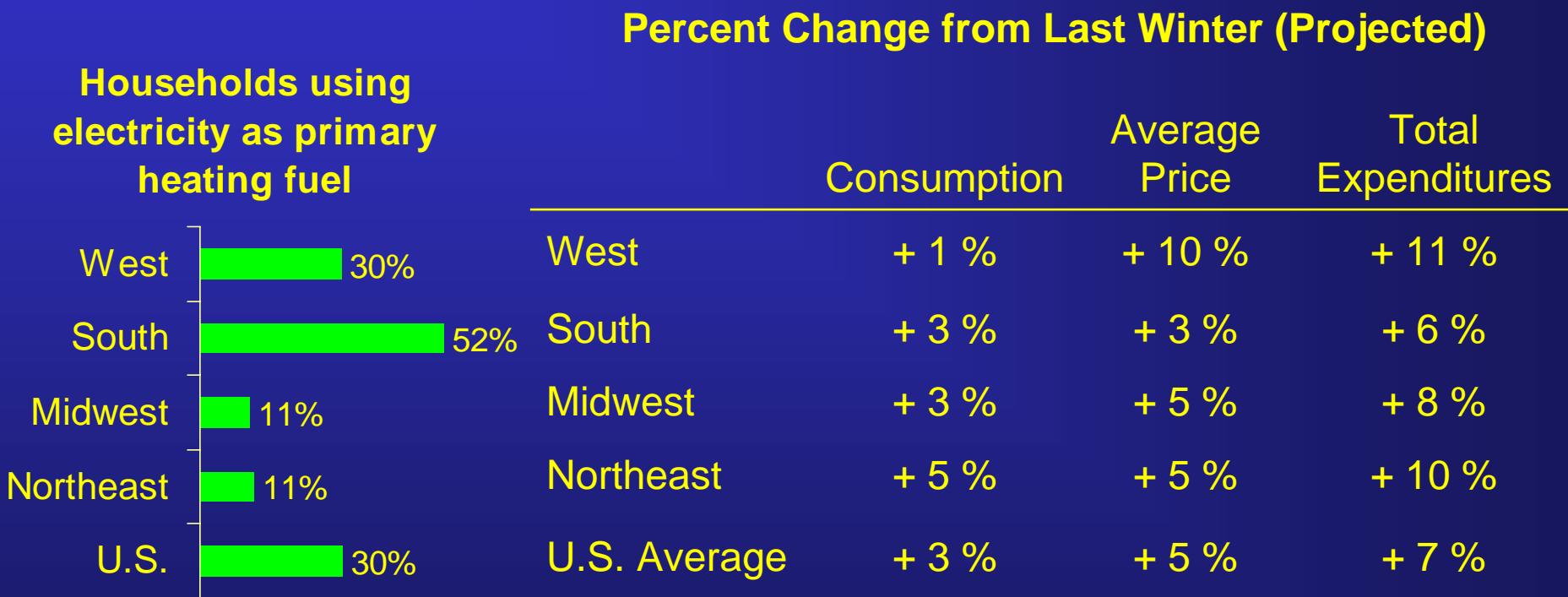
# *Natural gas heating bills are projected to be lower for all regions this winter*



## *Winter heating oil expenditures projected to increase for all regions*



# *Winter electricity expenditures are projected to increase for all regions*





***Average winter fuel expenditures are expected to be lower for natural gas and propane than last year, slightly higher for heating oil and electricity***

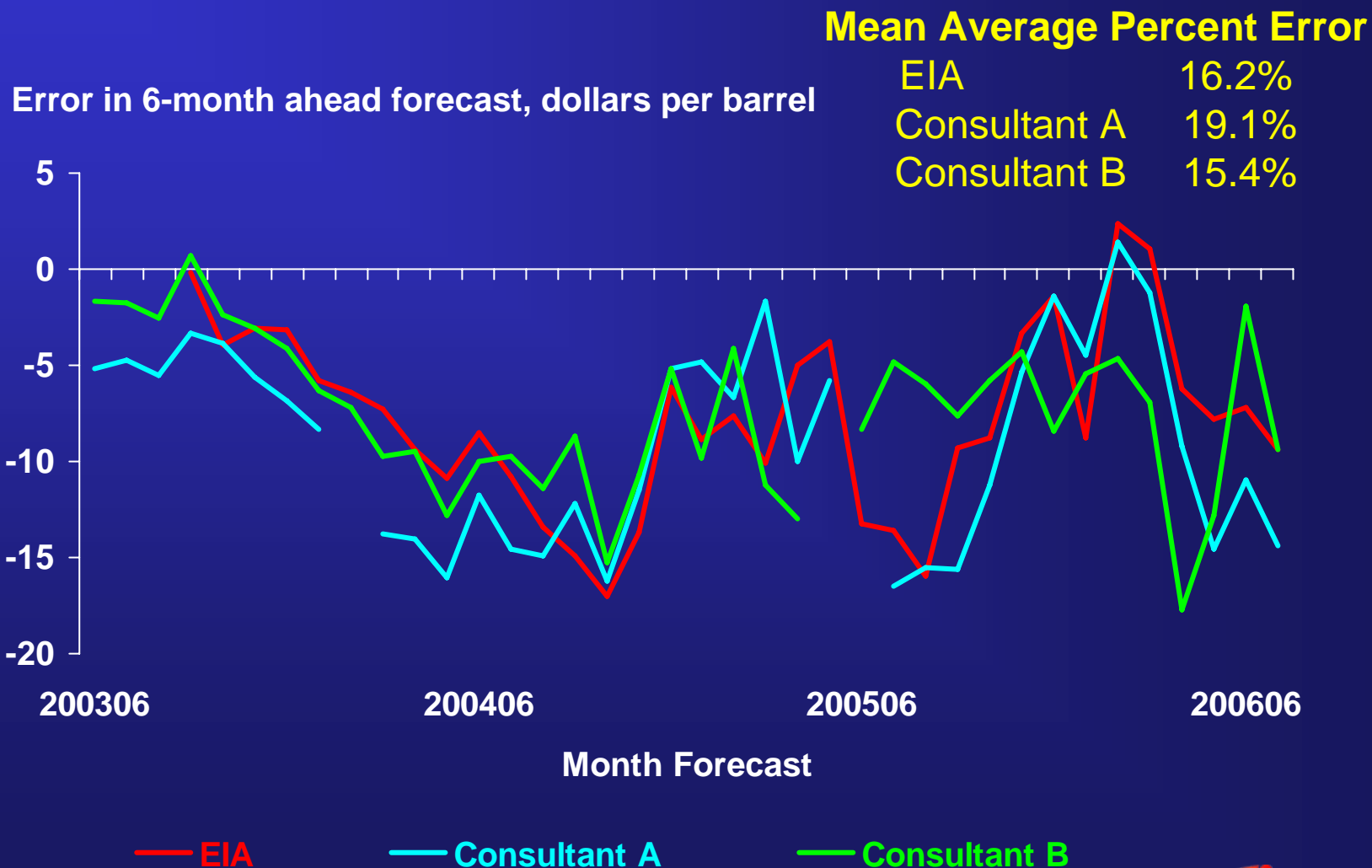
Fuel	% Change from last Winter		
	Base Case	If 10% Warmer than forecast	If 10% Colder than forecast
Natural Gas			
Price	<b>-16.4</b>	-21.7	-10.8
Expenditures	<b>-12.5</b>	-25.0	1.2
Heating Oil			
Price	<b>0.4</b>	-0.9	1.7
Expenditures	<b>6.3</b>	-4.4	17.3
Propane			
Price	<b>-5.3</b>	-8.6	-1.6
Expenditures	<b>-1.1</b>	-12.6	11.5
Electricity			
Price	<b>4.6</b>	4.3	4.9
Expenditures	<b>7.4</b>	1.8	12.9
Average Expenditures	<b>-4.8</b>	-15.3	6.5

Winter = October 1 through March 31. Expenditures are based on typical per household consumption adjusted for weather. Warmer and colder cases represent 10% decrease or 10% increase in heating degree-days.

Short-Term Energy Outlook, October 2006



# *EIA, like most forecasters, has underpredicted oil prices during the last 3 years*



## *The Outlook Shows ...*

- The average U.S. household will pay about \$45 less for heating this winter.
- Lower expenditures are driven by lower prices for natural gas which offset the expected increase in consumption brought about by the projected colder weather.
- Under the baseline forecast, natural gas expenditures could be about \$119, or 13 percent, lower for the average U.S. household this winter.
- Heating oil expenditures are projected to be about \$91, 6 percent, higher for the average U.S. household this winter. Electricity expenditures are forecasted to be \$58, 7 percent, higher the average U.S. household this winter.
- A colder winter could substantially raise estimated expenditure increases.

## Periodic Reports

*Petroleum Status and Natural Gas Storage Reports, weekly*

*Short-Term Energy Outlook, monthly*

*Annual Energy Outlook 2006, February 2006*

next reference case, November 2006

*International Energy Outlook 2006, June 2006*

## Examples of Special Analyses

*“Economic Effects of High Oil Prices,” Annual Energy Outlook 2006*

*Analysis of Oil and Gas Production in the Arctic National Wildlife Refuge,*  
March 2004

*The Global Liquefied Natural Gas Market: Status and Outlook, December 2003*

*“Restricted Natural Gas Supply Case,” Annual Energy Outlook 2005*

[www.eia.doe.gov](http://www.eia.doe.gov)

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